Department of State **TELEG**

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INFO OCT-00 EA-10 ADS-00 EB-08 L-03 TRSE-00 SAS-02
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DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY HST DATE 5/21/82
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FOR GEBER FROM HEGINBOTHAM

E.O. 12065 DECLASSIFY UPON RECEIPT

TAGS. EFIN, KS

SUBJECT: PRELIMINARY COMMITMENT NO. 78-0-4266: KOREA NUCLEAR UNITS NO. 7 AND 8

FOLLOWING TELEX, SENT DIRECTLY TO KECO, IS TRANSMITTED FOR EMBASSY INFORMATION ONLY. BEGIN TEXT:

IN ORDER TO ENABLE YOU TO REACH A FINAL CONCLUSION ON THE PURCHASE OF U.S. EQUIPMENT AND SERVICES FOR KOREA 7 AND 8 NUCLEAR PLANTS, WE ARE PLEASED TO INFORM YOU THAT WE HAVE BEEN ABLE TO GET PEFCO TO MAKE A FURTHER REDUCTION IN ITS INTEREST RATE ON LOCAL COST FUNDING ESTIMATED AT OVER DOLLARS 200 MILLION FROM 9.2 PERCENT TO 9.125 PERCENT AND AT THE SAME TIME WE HAVE AGREED THAT EXIMBANK'S GUARANTEE FEE ON SAME WOULD BE REDUCED FROM 0.75 PERCENT TO 0.60 PERCENT.

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BECAUSE OF THE SPECIAL NATURE OF THIS NEGOTIATION, EXIM-

BANK AGREES TO A ONE-TIME EXCEPTION TO ITS COMMITMENT FEE POLICY AND WILL WAIVE THE ACCRUAL OF ITS COMMITMENT FEE ON ITS DIRECT LOAN AND GUARANTEE UNTIL THE DATE OF SIGNING OF A LOAN AGREEMENT PROVIDED SUCH DATE IS NO LATER THAN DECEMBER 31, 1979.

IT IS ESSENTIAL THAT A LOAN APPLICATION BE PRESENTED TO EXIMBANK BY JULY 27, 1979 IN ORDER TO ALLOW TIME FOR EXIMBANK TO AUTHORIZE THE CREDIT DURING THE CURRENT FISCAL YEAR ENDING SEPTEMBER 30, 1979, AND IN WHICH THESE FUNDS HAVE BEEN RESERVED AS A RESULT OF OUR PRELIMINARY COMMITMENT.

ADDITIONALLY, EXIMBANK, AFTER GIVING THE NECESSARY 10-DAY NOTIFICATION REQUIRED UNDER THE INTERNATIONAL ARRANGEMENT ON OFFICIALLY SUPPORTED EXPORT CREDITS, WILL MAKE THE FOLLOWING CHANGES TO THE FINANCING PLAN FOR THE GOJEONG THERMAL POWER PROJECT (P.C. NO. 79-0-4432):

-- 1. REDUCE THE INTEREST RATE FROM 8.375 PERCENT TO 8.0 PERCENT.

-- 2. INCREASE EXIMBANK'S COVER OF U.S. COSTS FROM 75 PERCENT TO 85 PERCENT.

-- 3. INCREASE REPAYMENT TERM FROM 20 SEMIANNUAL INSTALLMENTS TO 24 SEMIANNUAL INSTALLMENTS.

FORMAL NOTIFICATION WILL FOLLOW. JOHN L. MOORE, JR., PRESIDENT AND CHAIRMAN, EXIMBANK. END TEXT. VANCE

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